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FM AMEMBASSY KINGSTON
TO RUEHC/SECSTATE WASHDC PRIORITY 6664
INFO RUCNCOM/EC CARICOM COLLECTIVE PRIORITY
RUEHLO/AMEMBASSY LONDON PRIORITY 0510
RUEHOT/AMEMBASSY OTTAWA PRIORITY 2328
RUEABND/DEA HQS WASHINGTON DC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

C O N F I D E N T I A L KINGSTON 000726

SIPDIS

STATE FOR WHA/CAR (ACADIEUX)(VDEPIRRO)
WHA/EPSC (PETER MAIER)
TREASURY FOR ERIN NEPHEW
DEA FOR PATRICIA GOSBY

E.O. 12958: DECL: 08/20/2028
TAGS: [ECON](#) [EFIN](#) [PREL](#) [KCOR](#) [PINR](#) [SOCI](#) [XL](#) [JM](#)
SUBJECT: JAMAICA: OLINT AND CASH PLUS, PARTY IS OVER, BUT
WHO CAME AND AT WHAT COST?

REF: A. KINGSTON 703
[1](#)B. KINGSTON 648
[1](#)C. KINGSTON 365
[1](#)D. KINGSTON 328
[1](#)E. KINGSTON 5
[1](#)F. 07 KINGSTON 1749

Classified By: CDA James Heg for reasons 1.4 (b and d).

Summary

[1](#)1. (C) The Jamaican Financial Services Commission (FSC) has identified up to 30 unregulated investment schemes, with the three biggest being Cash Plus, Olint, and World Wise (reftels). Acting FSC Director George Roper met privately with Econoffs on August 13 to discuss the latest developments in the collapse of these schemes. He said the three largest were fueled by deposits from numerous smaller "feeder" schemes. He believes it will take time for the effect of the schemes' collapse to unravel and, although there will be some contagion effect among the banks, the overall economic impact should not be as serious as the financial crisis Jamaica experienced in the mid-1990s. The collapse of Olint was brought on by the withdrawal of funds by its two most influential clients, who took out an estimated USD 500 million, causing a fatal run on the assets. Olint CEO Davis Smith held lavish parties leading up to the collapse, including one in Turks and Caicos in which he rented a private jet to fly in guests from Jamaica. Attendees were said to include some of the island's most influential business and political figures; the political fallout of the collapse is still uncertain. Perceptions of Smith range from highly talented currency trader brought down by gambling to an ethically challenged trader who got caught up in the hype of other pyramid schemes. Olint appears to have had significant deposits, with estimates as high as USD 1 billion. As it becomes better understood, Cash Plus appears to be little more than a typical Ponzi scheme, indications are that depositors will only get eight cents on the dollar for their deposits; it is too early to tell what Olint investors will receive, if anything. End Summary.

Cash Plus Post Mortem -- Most Of What Was Paid In Went Out

[1](#)2. (C) Cash Plus had more than 40,000 individual accounts with balances that totaled USD 400 million. This included the wildly inflated compounding interest of 120 percent per year, which appears to have only existed on paper. Roper

said about 70 percent of the money that Cash Plus took in was paid out to clients in the form of interest payments (clients had the ability to receive monthly payments of interest or let it compound in the account). Surprisingly, the amount of deposits in Cash Plus spiked in September 2007 at the same time the FSC aggressively started warning the public against the scheme. Roper believes the warnings alerted some to the existence of the schemes for the first time. This led some to take the risky gamble of trying to make a quick return before it collapsed.

13. (C) Carlos Hill, the CEO of Cash Plus, invested clients' money in nearly 80 different businesses. Mostly these were just nominal amounts which enabled Hill to claim a business link to the firm. Hill was known to announce high profile deals after only an initial cursory meeting. Only three of the businesses he invested in, all private security companies, were actually profitable. He also used depositors' funds to gain a controlling interest in an insurance company and in shares of Caribbean Metal Products, a company listed on the Jamaican Stock Exchange, which the FSC subsequently suspended from trading. He made deposits on several real estate purchases, but never actually closed on the deals (reftels). It is not likely that these deposits will be recovered. Roper said Cash Plus staff made some efforts to screen depositors for attempts at money laundering and the records that were kept were relatively well organized. After liquidation, including fees of the receivership firm, it is likely former clients will only receive eight cents on the dollar from their deposits.

Olint Post Mortem -- Political Donations and The Cause of the Collapse

14. (C) Roper believes Olint had about 3,000 accounts listed, but the actual number of participants could be 20 times larger based on the number of entities that served as feeders including F1 traders, Lewfam Investments (operated by Neil Lewis and Janice Lewis), various churches and individuals who deposited money for others who did not have an account. After the cease and desist order was issued by the FSC against Smith he was not actively pursuing new accounts, so those who had accounts would deposit money for their friends (reftels). According to Roper, Olint's CEO David Smith had a serious gambling problem and may have used clients' funds to cover his gambling losses. Dennis Chung, a respected accountant and advisor to the Ministry of Finance, who knows Smith well, agrees telling Emboff, "Smith had three vices: women, gambling, and drinking which distracted him from trading." The collapse appears to have been brought on by two clients, Joseph Issa (owner of highly successful Shell/Cool Oasis petrol and service stations across the island, and son of John and Ida Issa, owners of SuperClubs resorts) and businessman Peter Bovell (son of well known attorney, Christopher Bovell, of the firm Dunn Cox and Treasurer of the Jamaican Labour Party (JLP)). They were personal friends of Smith, but lost confidence in his currency trading skills so they withdrew their funds. The Bovells and Joe Issa are also known to be JLP fundraisers. NOTE: In a July 26 interview with the Sunday Herald newspaper, both the JLP and the opposition Peoples National Party (PNP) have admitted receiving political donations from Smith to finance 2007 national elections. Robert Pickersgill, Chairman of the PNP, denied that his party received USD 1.3 million from Smith, saying he thought the figure was closer to USD 200,000. In the same interview, Christopher Bovell denied claims that the JLP received USD 5 million from Smith, but did not disclose the actual amount received. END NOTE.

15. (C) According to Roper, Issa brought his unease about Smith to Donovan Davis Jr., the Managing Partner of Capital Blu Management, an asset management firm based in Melbourne Florida that has a currency trading division. NOTE: Davis gave an interview to the Observer newspaper on April 25 in which he questions the promises of 10 percent a month returns

being offered by schemes in Jamaica. Davis himself said he averages returns of 3 to 5 percent a month. END NOTE. According to Roper, Davis asked Smith if he could see Olint's financial records, which Smith refused. Davis then asked to see Smith's currency trading platform and strategy, which Smith also refused. Davis allegedly told Issa and Bovell to pull their money out of Olint, fearing Smith might be a fraud. Issa and Bovell may have had up to USD 500 million combined in Olint; the withdrawal caused a run on the scheme's funds leading it to collapse. Roper said the USD 500 million appears to have been deposited with Davis for currency trading in the U.S. NOTE: Emboffs also have heard that Issa and Bovell asked Smith to give them a part of his business since they were the biggest clients; when Smith refused; the two chose to withdraw their funds in retaliation. END NOTE.

Olint Records

16. (C) Roper said the records at Olint appear "almost non-existent." He said there is very little paper work showing who had deposited funds or how much they were owed. Roper said he has been told by account holders that Smith often overpaid clients who were collecting interest. Chung supports Ropers assertions, saying Smith's record keeping and back office operations were "very bad," and that he did at times overpaid clients due to record keeping errors. NOTE: These statements conflict with some comments Emboffs have heard from Olint clients who said although there were payment discrepancies, Olint's office had accurate records that were used to rectify payment issues. END NOTE. Also some Olint clients have told Emboffs that all deposits had to be made by check or wire transfer, and that the scheme would not accept cash (which would suggest a financial trail for deposits).

Olint Partied Until the End-- Ties to Political and Business Elite

17. (C) Just prior to the collapse, Smith held a lavish party in the Turks and Caicos, where he had moved his operations (reftel A). According to Roper, Smith rented a private jet from Donovan Davis to make nearly 20 trips between Jamaica to Turks and Caicos to shuttle in guests. Smith also owns his own private jet. Roper said he has been told that important names in the Jamaican business community as well as some politicians from the ruling party attended. Emboffs said they heard Member of Parliament for West Portland, Daryl Vaz, and James Robertson, Minister without Portfolio, in the Office of the Prime Minister, are rumored to have attended and Roper, responded "so then you already know." Chung told Econoff on August 18 that "he had no doubt" that Vaz and Robertson were at the party, but said he believes there were more politicians from both the JLP and PNP at the event. Financial journalist Keith Collister told Emboff that he also heard that Vaz and Robertson were at the party in addition to other high ranking politicians. Who Is David Smith?

18. (C) Smith banked on his reputation in the financial sector to build up Olint's reputation. He had worked for seven years as a licensed representative of the respected Jamaica Money Market Brokers (JMMB) where he specialized in foreign currency trading. A January 25 Observer newspaper article listed Smith as one of the "hotshot traders," and "perhaps the best known and now renowned FX traders to come on to the scene in recent years." Olint also survived two previous runs on its capital, which reinforced Smith's credibility in the eyes of the public. However, Smith's career was not untarnished. While at JMMB he sold foreign currency reserves on behalf of the Bank of Jamaica (BOJ) at a premium and pocketed the difference from the official rate. Although never formally charged with a crime, Smith was fired from JMMB. The JMMB staff were split between those supported Smith and believed he was an extremely talented currency

trader despite the infraction and those who had concerns about his ethics.

¶9. (C) Brando Hayden, a former JMMB Trading Manager and now a consultant to JMMB, told Emboffs on August 18 that Smith was "a superstar currency trader," and that after he formed Olint some JMMB staff deposited money with Smith. Hayden said that despite Smith's talents he would not pass a "fit and proper" assessment from the FSC because of his prior infraction related to the BOJ currency issue; and therefore refused to apply for regulated status with the FSC. Hayden suggested this prompted Smith's look for other locations to operate his investment club which was eventually moved to the Turks and Caicos. Chung also confirmed that Smith is a "talented trader" but said that he got caught up in his vices and his celebrity status distracting him from dedicating the time needed to effectively trade currencies. Chung believes that Smith was also trying to compete with the hype surrounding the other high yielding alternative investment schemes in Jamaica, which led him to boast of returns of 10-12 percent a month. Chung said he was also concerned that Smith was becoming associated with "questionable individuals" adding "it was not good that he became involved with these kinds of people." Chung said concern about these associations led him to sever his relationship with Smith.

Olint's Efforts to Gain Legitimacy

¶10. (SBU) Olint also sponsored the high profile Air Jamaica Jazz and Blues Festival in January and launched the Olint Foundation to help poor Jamaicans in December 2007. The foundation was started with a USD 1 million donation by Smith and the guest speaker was Michael Missick, the Premier of Turks and Caicos. NOTE: Smith appeared to have a close relationship with Missick which was also one of the factors that led Smith to move his operations to Turks and Caicos and buy a US multi-million dollar house there. END NOTE. Jared Martinez of Market Traders Institute in the US attended the event and pledged USD 140,000 at the announcement of the foundation.

Olint Investigations

¶11. (C) On July 4 the Observer newspaper reported that the U.S. National Futures Association (NFA), a self regulatory organization for US futures, filed a complaint with its Business Conduct Committee against foreign currency trader I Trade FX LLC and one of its principals, Issac Martinez (related to Jared Martinez). The NFA complaint filed on June 30 lists David Smith as a principal who contributed almost 100 percent of I Trade FX's capital. The NFA complaint also highlights that the FSC investigated Olint for allegedly offering securities without a license and references the cease and desist order against Olint (reftels). In mid-July, the FSC requested all Jamaican licensed financial entities to disclosure all accounts of Olint Corporation, the Olint Foundation, Overseas Locket International (operated by Smith) and Lewfam Investments. The Gleaner newspaper reported on July 22 that this move was necessary once the FSC has reason to believe that an institution was being used to commit fraud, theft, or money laundering.

Fall Out From Olint's Collapse

¶12. (C) Roper said the demise of Olint has the potential to be more economically devastating to Jamaica given the high profile of the members which include members of the middle and upper classes. A large number of lawyers, doctors, politicians, pilots (who invested in the feeder F1), and business owners made up account holders. At least a few members of the Jamaican Diaspora living in the United States and Canada had deposited money in Olint. Despite the obvious collapse of Olint, Smith has told the press that he can resume paying out to clients after a nine month grace period. According to press reports, Smith is under investigation in

Turks and Caicos for fraud and his accounts have been frozen (reftel B). Smith is being sued by at least two former clients seeking to recover their funds and accusing Smith of fraudulent misrepresentation (reftel A).

World Wise - On Life Support

¶13. (C) World Wise Partners is still in operation, but has not made a payment to clients in over two months. It also has been hit with a cease and desist order by the FSC. The FSC order allows World Wise to pay out to its clients, but not accept deposits. Noel Strachan, the Chairman of World Wise (who is said to have a home in Miami, Florida), has told the press that he needs time to restructure the entity and to become registered with the FSC. According to Roper, World Wise filed some documents with the FSC to register the scheme, but to date the documents are incomplete.

Effect of Meltdown of The Schemes

¶14. (C) The meltdown of the alternative investment schemes does not appear to be having an impact on the regulated sector, but some contagion effect is expected. Roper said in the past few years local banks had seen a rise in the number of customers who wanted to make significant withdrawals to deposit funds with the various schemes. In an effort to retain customers, the banks offered loans equal to half of a customers cash deposits. These loans are usually tied to automatic salary withdrawals; thus, banks should be able to recover their loans unless there is a spike in unemployment. Consumer spending is likely to suffer in the coming months, as the realization of losses begins to bite. Roper said the overall impact of the collapse of the schemes will take time, but he said it is not expected to be as severe as the financial crisis that hit Jamaica in the mid-1990s.

COMMENT

¶15. (C) Eventually, the prevailing misperception, even among sophisticated investors, was that Smith was an exceptionally talented currency trader on par with the world's best, even though his financials were not audited and his touted returns of 10-12 percent every month were unrealistically high. A significant number of wealthy and middle class Jamaicans, including those in the government and the judicial system, apparently had money in Olint, some of it deposited through friends so their names will never actually appear on account

records. Some in the GOJ may not want the full list of clients brought to light for political reasons, and also for fear that the deposits they made would indicate far higher earnings than have been reported in tax returns. As the press coverage of Olint indicates, there is speculation that the schemes were used to launder money, one of the issues that led to the raid on Smith's operations by Turks and Caicos police. As investigations continue in the region, more of this story should unfold.

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